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ABSTRACT

State administration of the Comprehensive Employment and Training Act (CETA) Balance of State (BOS) programs was compared with administration of CETA programs by local (regular) prime sponsors in Michigan to gain insight on the potential impact of increased state control. BOS prime sponsors spent less than regular prime sponsors for administration both on a statewide basis and for sites visited. The BOS prime sponsors' programs generally had comparable results but were less cost effective based on seven performance indicators. Each Balance of State prime sponsor had the same three advisory councils that CETA required of each regular prime sponsor--a planning council, a youth council, and a private industry council. State data used to identify the demographics of the CETA eligible populations for BOS prime sponsors were incomplete and possibly inadequate for program planning purposes. Regular prime sponsors identified their CETA eligible population demographics and set their own equal opportunity benchmarks. (YLB)

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Report To The Chairman Committee On Education And Labor House Of Representatives

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Information On State Versus Local Administration Of CETA Prime Sponsors In Michigan

Because the House Committee on Education and Labor wanted to gain an insight on the potential impact of increased State control of CETA, GAO compared the administration of CETA balance of State prime sponsors with local (regular) prime sponsors in Michigan for fiscal year 1981. GAO's findings are applicable only to Michigan and are not projectable. GAO found that:

--Balance of State prime sponsors spent less on administration than regular prime sponsors, mainly because of cost differences attributable to the more rural nature of the balance of State sponsors.

--Balance of State prime sponsors' programs were less cost effective than those of regular prime sponsors on the basis of seven performance indicators, again mainly because of the rural nature of the balance of State sponsors.

--The State's establishment of an additional advisory council at balance of State and regular prime sponsors did not enhance the mechanisms for providing linkages and coordination between CETA and other employment and training activities, as expected.

--State data used to identify the demographics of the CETA eligible population for the balance of State prime sponsors are incomplete.

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GAO/HRD-82-117
SEPTEMBER 30, 1982

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-208645

The Honorable Carl D. Perkins
Chairman, Committee on Education
and Labor
House of Representatives

Dear Mr. Chairman:

After discussions with your office on February 26, 1982, we compared State administration of the Comprehensive Employment and Training Act (CETA) "balance of State" programs with administration of CETA programs by local (regular) prime sponsors in Michigan. Our comparison was made to gain an insight on the potential impact of increased State control of CETA programs. Your office expressed particular interest in comparing State with local administration in the following areas: (1) administrative costs, (2) program results, (3) mechanisms for providing linkages and coordination between CETA and other employment and training activities, and (4) identification of the CETA eligible population demographics.

This letter summarizes the results of our review. A more detailed discussion of each of the four areas is contained in appendix I.

OBJECTIVES, SCOPE, AND METHODOLOGY

We compared State with local administration of CETA in Michigan for fiscal year 1981 to answer four questions:

--Does State administration result in lower administrative costs for prime sponsors?

--Does State administration produce better program results?

--Does State administration result in better mechanisms for providing linkages and coordination between CETA and other employment and training activities?

--Does State administration result in a more accurate identification of the demographics of the CETA eligible population?

We performed work at the Federal, State, and local levels. At the Federal level, we interviewed officials of the U.S. Department of Labor's Employment and Training Administration in Washington, D.C., and at its Chicago regional office. At the State level, we examined program records and interviewed officials of the Bureau of Employment and Training of Michigan's Department of Labor in Lansing. The Bureau is responsible for administering both the balance of State and Special Governor's Grants programs. To compare State with local administration, we reviewed records and interviewed officials and staff at four regular and four balance of State prime sponsors. We judgmentally selected the sites for our comparison by matching a regular prime sponsor with a balance of State prime sponsor that had nearly the same total CETA expenditures in fiscal year 1981, so that our comparison would not be affected by large differences in program expenditures. The four pairs of prime sponsors differed in the amount of their expenditures and were dispersed throughout the State.

Because we obtained information on only one State and our selection of the prime sponsors was judgmental, the results are not projectable.

ORGANIZATION OF CETA IN MICHIGAN

Prime sponsors, responsible for planning, administering, and delivering services, are usually either a unit of local government, a consortium of local government units, or a State. Michigan had 23 regular prime sponsors that were units or consortiums of local governments. All other areas were served by the State prime sponsor. The State prime sponsor split its area into 10 subareas, which it refers to as balance of State prime sponsors. The State's relationship with balance of State prime sponsors is similar to Labor's relationship with regular prime sponsors.

In fiscal year 1981 regular prime sponsors spent $272.9 million in CETA funds, balance of State prime sponsors spent $62.1 million, and the State spent $27.2 million from the Special Governor's Grants under title II of CETA.

ADMINISTRATIVE COSTS

We found that balance of State prime sponsors spent less than regular prime sponsors for administration both on a statewide basis and for the sites we visited. For example, Michigan's 23 regular prime sponsors spent 15 percent of their fiscal year 1981 CETA expenditures for administration, which was 3 percent higher than that spent by the 10 balance of State prime sponsors. State and prime sponsor officials said the major reason for this was that regular prime sponsors are generally in urban areas and thus have higher salary and rent costs than the generally rural balance of State prime sponsors.

PROGRAM RESULTS

Both on a statewide basis and for the sites we visited, the balance of State prime sponsors' programs generally had comparable program results, but were less cost effective than the regular prime sponsors' programs based on seven performance indicators computed from data in prime sponsors' periodic reports to Labor. For example, although regular prime sponsors successfully placed only 4 percent more of their program participants than balance of State prime sponsors, their cost per placement was 28 percent lower than that incurred by balance of State prime sponsors.

According to the State official responsible for the administration of balance of State prime sponsors, this difference in program results occurs because balance of State prime sponsors tend to serve larger geographical areas than regular prime sponsors and are in rural areas where employment and training resources and opportunities are more limited and less accessible, which tends to make programs less cost effective.

LINKAGES AND COORDINATION

CETA legislation requires each regular prime sponsor to have a planning council, a youth council, and a private industry council. Each balance of State prime sponsor also had the same three advisory councils. In addition, the State established a fourth advisory council in each balance of State and regular prime sponsor's area because it wanted to facilitate linkages and coordination of employment and training activities among CETA, education, business and industry, organized labor, and others. This fourth council, however, overlapped the prime sponsors' planning councils and private industry councils in membership, and its purpose was similar to that of the private industry council. Further, the council provided services that were similar to those of the private industry council and the prime sponsor. Most of the prime sponsors visited told us their council did not provide additional linkages and was not needed.

IDENTIFYING CETA ELIGIBLE POPULATION DEMOGRAPHICS

State data used to identify the demographics of the CETA eligible population for balance of State prime sponsors are incomplete and may not be adequate for program planning purposes. The State identifies the demographics and sets Equal Employment Opportunity benchmarks for balance of State prime sponsors using Michigan Employment Security Commission data. Regular prime sponsors identify their CETA eligible population demographics and set their own Equal Employment Opportunity benchmarks using whatever data and method they believe are best. Although the regular prime

sponsors use Commission data, they supplement these data because they do not believe the data are representative of the CETA eligible population in their jurisdictional areas.

Labor and State officials reviewed a draft of this report and their comments have been included where appropriate. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from its issue date. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Gregory J. Ahart
Director

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ABBREVIATIONS

BOS	balance of State
CETA	Comprehensive Employment and Training Act
GAO	General Accounting Office
ICB	Interagency Collaborative Body

INFORMATION ON STATE VERSUS LOCAL ADMINISTRATION OF CETA PRIME SPONSORS IN MICHIGAN

INTRODUCTION

The Comprehensive Employment and Training Act (CETA), as amended in 1978 (29 U.S.C. 801), is designed to improve the employability of economically disadvantaged, unemployed, and underemployed persons. Current CETA authorization expires September 30, 1982. The Congress is considering new legislation (S. 2036 and H.R. 5320) that would change the operation of the CETA program. A major issue in the proposed changes is whether the new employment and training program should increase the States' role and decrease the Federal and local roles.

On February 26, 1982, the House Committee on Education and Labor expressed interest in work we were doing in Michigan on the potential impact of increased State control of CETA. Its interest centered on administrative costs, program results, linkages and coordination, and identification of the CETA eligible population demographics. Although our work was limited to Michigan, the Committee requested that we continue our review and provide it with a report on the results because the information would give some indication of the potential impact that increased State control could have on these four areas.

Background

The CETA delivery system, as outlined in the 1978 amendments, is to be a flexible, coordinated, and decentralized system of Federal, State, and local programs. Prime sponsors, responsible for planning, administering, and delivering services, are usually (1) a unit of local government which has a population of 100,000 or more persons; (2) a consortium of local government units, one of which has a population of 100,000 or more persons; or (3) a State. When the State is the prime sponsor it represents areas that are not within the jurisdiction of a prime sponsor described in (1) or (2). These areas are called balance of State (BOS).

All prime sponsors are to follow the same Federal requirements. They must submit detailed plans to the U.S. Department of Labor's Employment and Training Administration on how services will be delivered and administered. They also must establish three advisory councils--a planning council, a youth council, and a private industry council. State prime sponsors are to coordinate with units of local government to serve subareas within the BOS. In fiscal year 1981, 475 prime sponsors operated nationwide with estimated outlays of approximately $5.9 billion.

States also receive funds in the form of Special Grants to Governors under title II of CETA--the comprehensive employment and training services title. These funds are to be used by the Governor for

--supplemental vocational education,

--coordination and special services,

--State employment and training council operation, and

--coordination and linkages between prime sponsors, educational agencies and institutions, and employment and training institutions.

States may award part of these funds to prime sponsors to carry out specific projects. Estimated outlays for Special Grants to Governors in fiscal year 1981 were about $283 million.

Organization of CETA in Michigan

In fiscal year 1981, Michigan had 24 prime sponsors, of which

--5 were cities,

--11 were single counties,

--7 were multicounty consortiums consisting of 2 to 8 counties, and

--1 was the BOS.

See exhibit A for a map depicting the jurisdictions of these prime sponsors.

The Bureau of Employment and Training (hereafter referred to as the State) of the Michigan Department of Labor administers both the BOS and the Special Governor's Grants programs. The State divides its BOS area into 10 subareas (consisting of multicounty consortiums), which it refers to as BOS prime sponsors. For purposes of this report we refer to the prime sponsors in the State that are not BOS prime sponsors as regular prime sponsors. In fiscal year 1981, the 23 regular prime sponsors spent $272.9 million in CETA funds, the 10 BOS prime sponsors spent $62.1 million, and the State spent $27.2 million from the Special Governor's Grants under title II of CETA.

The State's relationship with BOS prime sponsors is similar to the Employment and Training Administration's relationship with the regular prime sponsors. As a result, the BOS prime sponsors are similar to the regular prime sponsors in the following ways:

--Each receives grants from the State for the various CETA titles to carry out their approved plans, similar to the grantor/grantee relationship between the regular prime sponsors and the Employment and Training Administration.

--Each is an autonomous body that may provide its own employment and training services or subcontract for them.

--Each submits service delivery and administrative plans to the State, similar to the plans the regular prime sponsors submit to the Employment and Training Administration.

--Each provides a full range of employment and training services to needy targeted groups.

--Each is organized like a regular prime sponsor with a planning council, youth council, and private industry council.

OBJECTIVES, SCOPE, AND METHODOLOGY

To gain an insight on the potential impact of increased State control of CETA, we compared the BOS prime sponsors' programs administered by the State with the programs administered by the regular prime sponsors. We focused on four questions about State versus local administration of CETA programs:

--Does State administration result in lower administrative costs for prime sponsors?

--Does State administration produce better program results?

--Does State administration result in better mechanisms for providing linkages and coordination between CETA and other employment and training activities?

--Does State administration result in better identification of the CETA eligible population demographics?

We reviewed the implementation of CETA for fiscal year 1981. We performed work at the U.S. Department of Labor's Employment and Training Administration headquarters in Washington, D.C., and at its Chicago regional office. At the State level, we did work at the Bureau of Employment and Training, and at the local level, we visited four regular and four BOS prime sponsors. Most of our work was done at the State and local level.

At the State level we examined program records, interviewed officials and staff who administer the BOS and Special Governor's

Grants programs, and compared State with the Employment and Training Administration's requirements. We also examined program records and interviewed officials and staff at the four regular and four BOS prime sponsors.

Specifically, we determined whether State or local administration was less costly by comparing the administrative costs of the BOS prime sponsors to those of the regular prime sponsors. We used data on seven performance indicators for comparing program results of the BOS prime sponsors to those of the regular prime sponsors. Further, we reviewed State mechanisms for providing linkages and coordination between CETA and other employment and training activities. Finally, we compared how the BOS and regular prime sponsors identified the demographics of the CETA eligible population.

We judgmentally selected the sites for our comparison by matching a regular prime sponsor with a BOS prime sponsor that had nearly the same total CETA expenditures in fiscal year 1981, so that our comparison would not be affected by large differences in program expenditures. The four pairs of prime sponsors differed in the amount of their expenditures and were dispersed throughout the State. According to the Director of the Bureau of Employment and Training, our sample was fairly representative of Michigan. See exhibit B for information on the sites included in our review.

The data in this appendix and the exhibits were obtained from interviews with responsible officials and available records. We did not verify all of the data. In addition, the State and local information we obtained represents only those locations visited in Michigan and cannot be projected to a larger universe because of our limited scope and methodology.

Our review was performed in accordance with the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

BOS PRIME SPONSORS SPENT LESS FOR ADMINISTRATION THAN REGULAR PRIME SPONSORS

In fiscal year 1981 the BOS prime sponsors spent less for administration than the regular prime sponsors. The main reason given for this was cost differences for salaries and rent between the rural BOS prime sponsor areas and the primarily urban regular prime sponsor areas.

In fiscal year 1981 the regular prime sponsors in Michigan reported CETA expenditures of about $272.9 million, of which nearly $40.9 million, or 15 percent, was spent for administration. BOS prime sponsors reported expenditures of $62.1 million, of which nearly $7.5 million, or 12 percent, was spent for administration.

The BOS prime sponsors' administrative expenditures include the Bureau of Employment and Training's cost for administering the BOS program because the Bureau is part of the BOS prime sponsor's administrative structure. For example, the State used some of its BOS administrative funds to provide certain services for the BOS prime sponsors which each regular prime sponsor pays for itself, such as resolving grievances and audit findings and setting Equal Employment Opportunity goals. The Bureau's costs for administering the Special Governor's Grants program are not included because they are not part of the BOS program.

At the eight sites we visited, the results were similar. Each of the four BOS prime sponsors spent from about 2 to 10 percent less on administration than their regular prime sponsor counterpart. The State spent $2.1 million, or 3.4 percent, of the BOS prime sponsors' expenditures of $62.1 million for administration. Adding the State's 3.4 percent to each of the four BOS prime sponsors' own administrative costs results in only one exceeding the administrative costs of its regular prime sponsor counterpart.

Administrative Costs as a Percent of Total Expenditures

Pair number	Regular prime sponsor	BOS prime sponsor	BOS prime sponsor, including State costs
1	19.0	8.8	12.2
2	15.6	13.2	16.6
3	11.2	6.7	10.1
4	17.5	8.3	11.7

The table shows that the administrative costs for three of the four BOS prime sponsors, including State costs, ranged from about 1 percent to nearly 7 percent less than that of their regular prime sponsor counterpart. The administrative costs for the fourth BOS prime sponsor was 1 percent higher than that of its regular prime sponsor counterpart.

We discussed the reason for BOS prime sponsors using less funds for administration with State and regular and BOS prime sponsor officials. The major reason given by these officials was that regular prime sponsors are usually located in urban areas and, as a result, must pay higher salaries and rent than BOS prime sponsors.

REGULAR PRIME SPONSORS' PROGRAMS MORE COST EFFECTIVE THAN BOS PRIME SPONSORS' PROGRAMS

Program results reported by the State for fiscal year 1981 showed that while the BOS and regular prime sponsors had comparable program results, the regular prime sponsors did so for less

cost per person. This appeared to be due more to the effects of urban versus rural locations rather than management or administrative differences.

CETA regulations require each prime sponsor to submit periodic reports which are used by the Employment and Training Administration to assess prime sponsor program performance. We obtained information from these reports on the following performance indicators:

1. Positive termination rate. 1/
2. Placement rate.
3. Cost per participant.
4. Cost per positive termination.
5. Cost per placement.
6. Average hourly wage rate among participants who had a previous wage.
7. Average hourly wage rate among participants who had no previous wage.

We compared the fiscal year 1981 performance of Michigan's 23 regular prime sponsors with the 10 BOS prime sponsors for titles IIB and C, designed to improve the employability of economically disadvantaged persons. Generally, the regular prime sponsors had about the same program results as the BOS prime sponsors, but their per person costs were lower. For example, the regular prime sponsors successfully placed only 4 percent more of their program participants than the BOS prime sponsors. However, the cost per placement by the regular prime sponsors was 28 percent lower than the cost per placement incurred by the BOS prime sponsors. BOS prime sponsors had a slightly better performance for one indicator—the average hourly wage rate among those participants who had a previous wage was 3 cents higher. The following table summarizes the results of the comparison:

1/Positive terminations include individuals who enter unsubsidized employment, transfer to other CETA programs, enter the military, return to full-time school, or enter non-CETA-funded employment and training programs.

Performance indicator	Average for BOS prime sponsors	Average for Regular prime sponsors
1. Positive termination rate	57%	60%
2. Cost per positive termination	$4,256	$3,387
3. Placement rate	25%	29%
4. Cost per placement	$9,591	$6,869
5. Cost per participant	$1,608	$1,482
6. Average hourly wage rate among those participants who had previous wage	$4.87	$4.84
7. Average hourly wage rate among those participants who had no previous wage	$4.14	$4.54

We also compared the fiscal year 1981 performance of all CETA service programs at the eight prime sponsors visited. Except that one of the four regular prime sponsors had a considerably better positive termination rate (20 percent) than its BOS prime sponsor counterpart, the program results were generally similar. However, the regular prime sponsors achieved their results for less cost per person. The following table illustrates our comparison of the seven performance indicators for each pair of prime sponsors.

Performance indicator	Pair number	Regular prime sponsor	BOS prime sponsor
1. Positive termination rate	1	72%	63%
	2	60%	52%
	3	68%	48%
	4	69%	66%
2. Placement rate	1	33%	24%
	2	21%	19%
	3	28%	19%
	4	20%	30%
3. Cost per participant	1	$1,320	$2,275
	2	$1,902	$1,939
	3	$1,933	$2,429
	4	$1,715	$1,872
4. Cost per positive termination	1	$2,487	$4,827
	2	$3,920	$5,684
	3	$3,126	$6,056
	4	$2,723	$3,453

Performance indicator	Pair number	Regular prime sponsor	BOS prime sponsor
5. Cost per placement	1	$5,485	$12,452
	2	$11,236	$15,704
	3	$7,728	$15,161
	4	$9,279	$7,576
6. Average hourly wage rate among those participants who had a previous wage	1	$4.51	$4.39
	2	$4.64	$4.36
	3	$4.47	$4.27
	4	$3.87	$4.29
7. Average hourly wage rate among those participants who had no previous wage	1	$4.47	$3.92
	2	$4.54	$3.84
	3	$4.34	$3.87
	4	$4.01	$3.69

BOS prime sponsors' less cost-effective programs due primarily to geographical differences

The State official responsible for the administration of BOS prime sponsors agreed with our analysis that BOS prime sponsors had less cost-effective programs than the regular prime sponsors. He said one reason for this was that BOS prime sponsors tend to serve larger geographical areas than regular prime sponsors and are in rural areas where employment and training opportunities and resources are fewer and often farther from program participants. Therefore, when participants accept services and employment, CETA funds are often used to reimburse their travel costs which increases per person costs. Also, because training programs in rural areas are not as numerous or as easily accessible, more programs must be designed than in regular prime sponsor areas which increases costs.

In our view these reasons for the BOS prime sponsors having less cost-effective program results than regular prime sponsors seem logical. We did not make the extensive analysis that would be needed to determine if they actually cause more costly BOS prime sponsor per person costs and, if so, by what amount.

STATE ESTABLISHMENT OF ADDITIONAL ADVISORY COUNCIL DID NOT NECESSARILY IMPROVE THE MECHANISMS FOR PROVIDING LINKAGES AND COORDINATION

BOS and regular prime sponsors had the same mechanisms for establishing and maintaining linkages and coordination between CETA and other employment and training activities. The State attempted to improve these linkages and coordination by establishing

an additional advisory council at each BOS and regular prime sponsor. However, this additional council did not substantially enhance linkages and coordination and it tended to overlap other councils in membership. In addition, the council's purpose was similar to that of the private industry council, and it provided services that were similar to those of the private industry councils and prime sponsors.

BOS and regular sponsors had the same advisory councils

Each of the prime sponsors we visited had a planning council, a youth council, and a private industry council, as required by CETA, to establish and maintain linkages and coordination. The purpose and role of the councils were generally the same at the BOS and regular prime sponsors. However, we did not do the detailed assessment that would be necessary to compare the effectiveness of the BOS prime sponsors' councils to the regular prime sponsors' councils in providing linkages and coordination.

Each council includes representatives from education, business, organized labor, and community-based organizations which are appointed by the prime sponsor. In general, the councils provide program oversight, special needs analysis, and advice on program plans, goals, and operations.

Each council focuses on a slightly different aspect of the prime sponsor's programs. The planning council advises the prime sponsor on all the programs in a prime sponsor's area. The youth council advises the planning council on the youth employment and training programs. The private industry council assists the local employment and training structure to become more responsive to the business community and employment needs and works with the prime sponsor on designing and developing activities to increase private sector opportunities for the economically disadvantaged.

Additional council established by the State overlaps other councils

In fiscal year 1980 the State established Interagency Collaborative Bodies (ICBs) because it wanted to facilitate linkages and coordination of employment and training activities among CETA, education, business and industry, organized labor, and others. However, the ICBs overlapped the prime sponsors' planning councils and private industry councils in membership and their purpose was similar to that of the private industry councils.

BOS and regular prime sponsors were encouraged to request funds for establishing ICBs. As of August 1982, all BOS prime sponsors and all but one regular prime sponsor had an ICB. Funding for the ICBs in fiscal years 1980 and 1981 came from the Special Governor's Grants, amounting to $2.2 million in fiscal

year 1981. In fiscal year 1982 the Special Governor's Grants funded only the regular prime sponsors' ICBs and the State used its administrative funds for the BOS prime sponsors' ICBs. In fiscal year 1983 the State plans to use the Special Governor's Grants to fund no more than 75 percent of each regular prime sponsor's ICB.

The ICB and other councils overlap in membership

The State requires that each ICB include members who represent the prime sponsor, educational agencies, the business community, and organized labor. Representatives from community-based organizations are desirable but not required. The ICB's membership, therefore, is to be drawn from the same sources as that of the planning council and the private industry council. Some ICB members at the eight sites we visited were members of the private industry council and/or planning council. At one regular prime sponsor, the ICB and planning council had the same members. The other three regular prime sponsors had considerable overlap:

--One ICB had 21 members, 9 were on the planning council and 5 were on the private industry council.

--Another ICB had 27 members, 3 were on the planning council and 1 was on the private industry council.

--The other ICB had 16 members, 5 were on the merged planning council/private industry council.

The memberships of the councils also overlapped at four BOS prime sponsors:

--One ICB had 11 members, 7 were on the planning council and 5 were on the private industry council.

--Another ICB had 14 members, 6 were on the planning council and 2 were on the private industry council.

--Another ICB had 15 members, 5 were on the planning council and 1 was on the private industry council.

--The other ICB had 11 members, 2 were on the planning council and 3 were on the private industry council.

According to officials at the sites visited, the councils overlap in membership because council members wanted to assure coordination of their efforts, and some prime sponsors had difficulty getting people to serve on the councils.

The ICBs and the private industry councils have similar purposes

The purpose of the ICBs is similar to that of the private industry council. ICBs are based on the work-education council concept devised by the National Institute for Work and Learning, which has provided technical assistance to the ICB program since its inception through fiscal year 1981 under a contract with the Michigan Department of Labor. The ICBs, according to Michigan's Special Governor's Grant Annual Plan, are to provide policy and direction in employment, training, and education. A State official told us the ICBs are intended to improve the coordination between CETA, private industry, and education. The purpose of the ICB, therefore, seems similar to that of the private industry council--to assist the local employment and training structure to become more responsive to the business community.

In fiscal year 1980, the ICBs were to focus on coordination between CETA and education; in fiscal year 1981, the focus was to be on CETA and industry; and in fiscal year 1982, economic development was to be emphasized. The State designed this approach to help the prime sponsors and educational agencies better assess training needs and curriculums. The private industry councils are to survey employment demands and corresponding training possibilities and to help the employment and training system become more responsive to private sector needs.

ICBs provided services similar to those of the private industry councils and prime sponsors

The services provided by the ICBs at the sites visited were similar to those generally provided by the private industry councils and prime sponsors. In most cases the ICBs provided services, such as

--providing a career information program for high school students;

--awarding teachers $175 for ideas on improving the school system; or

--providing terminals for schools, jails, etc., to transmit career information.

However, we did not find any evidence that the services provided by the ICBs duplicated those provided by the private industry councils or prime sponsors. The State official responsible for the ICB program said that many of the ICB projects are similar to what the private industry councils could do but are not. Most of the prime sponsors visited said the private industry council or prime sponsor could have provided the same services as the ICB but did not because they considered these services a low priority.

Prime sponsors believe the ICBs are unnecessary

The regular and BOS prime sponsors have never been strongly in favor of ICBs. Initially, the State planned to fund seven "work-education councils" throughout Michigan. The prime sponsors, however, could not agree on the areas to receive funding and therefore rejected the concept. A task force that included representatives of the prime sponsors then developed the ICB plan. The plan was accepted because all prime sponsors were to receive funding, but according to the State official responsible for the ICB program, the response from the prime sponsors was still not enthusiastic. He said the ICBs were considered an infringement on the sponsors' responsibilities and duplicative of existing councils.

After about 3 years of implementation, opinions about the ICBs are mixed. The State official responsible for the ICB program told us that prime sponsors now consider the ICBs more favorably and that they are helping CETA and education programs to fulfill industry's skill needs. Most of the prime sponsors visited, however, told us that their ICB did not provide additional linkages and was not needed.

STATE DATA ON DEMOGRAPHICS OF CETA ELIGIBLE POPULATION MAY NOT BE ADEQUATE

The data the State uses to identify the demographics of the CETA eligible population are incomplete and may not be adequate. The State uses Michigan Employment Security Commission data to set Equal Employment Opportunity benchmarks for each BOS prime sponsor because it believes these data are the best available and because multiple data sources are generally inconsistent in their data gathering techniques. Each regular prime sponsor selects its own method and data to set these benchmarks. Although they use Commission data, they believe the data are not representative of the CETA eligible population in their jurisdictional areas and therefore not adequate for program planning. Accordingly, they supplement Commission data with data from other sources, such as the Department of Social Services, schools, and their subcontractors.

CETA requires prime sponsors to identify eligible population and proposed services

CETA legislation requires prime sponsors' annual plans to include a description of the CETA eligible population by race, sex, national origin, and age, and the level of services to be provided to these segments of the population. CETA regulations require prime sponsors to provide justification if their planned level of service to a particular group is below the group's incidence in the eligible population.

Prime sponsors refer to the description of the eligible population and the level of services to be provided as Equal Employment Opportunity benchmarks. At the sites visited, the prime sponsors included the following segments of the population in their Equal Employment Opportunity benchmarks: (1) females, (2) handicapped, (3) older workers--age 55 and over, (4) blacks, (5) Hispanics, (6) American Indians/Alaskan natives, and (7) Asians and other.

State sets BOS prime sponsor benchmarks using Commission data

The Michigan Employment Security Commission, the State's employment service agency, performs several job service functions, including matching job seekers with jobs and paying unemployment insurance and providing trade adjustment assistance. The Commission provides all prime sponsors unemployment data for their areas. These data consist of numbers of job service applicants by sex, race, age group, if handicapped and if economically disadvantaged.

The State sets benchmarks for each BOS prime sponsor using Commission unemployment data. According to the BOS Equal Employment Opportunity officer, the Commission's data are used because

--they are compiled yearly on a consistent basis, whereas data from other sources often are not and

--they identify job service applicant characteristics needed to set benchmarks.

Regular prime sponsors supplement Commission data in setting benchmarks

To set their Equal Employment Opportunity benchmarks, regular prime sponsors may use whatever base(s) they believe portrays an accurate picture of their CETA eligible population. Each of the four regular prime sponsors visited had its own method of determining these benchmarks, but all four used Commission data to varying degrees in their determinations. They supplemented Commission data with other data because they believed the Commission data were not adequate for planning purposes.

--One used Commission data along with adjusted census data, Department of Social Services data, number of school dropouts reported by local education agencies, and data from a major local university.

--One compared Commission data with data from the Department of Social Services, Rehabilitation Services in the Department of Education, and their applicants from the prior year.

--One used Commission data supplemented by data from the Department of Social Services.

--One used Commission data supplemented by data from its subcontractors.

Commission data may not be adequate for setting benchmarks

Although Commission unemployment data (1) are reported by prime sponsor area, (2) are consistent from year-to-year, and (3) identify job service applicant characteristics, they may not be adequate for setting benchmarks and planning programs. Most BOS and regular prime sponsors visited said they believed the Commission data on the demographics of the unemployed population were not complete and therefore not accurate. The Commission official responsible for reporting on job service applicants agreed the data were incomplete because they represented only about 50 percent of the total unemployed population plus estimates for the unemployed who had not registered with the Commission. For this reason, the four regular prime sponsors visited said they supplemented Commission data with other data for setting benchmarks and planning programs. The four BOS prime sponsors visited told us the State would not allow them to supplement Commission data without strong justification.

According to the BOS Equal Employment Opportunity officer, BOS prime sponsors may request a change in their benchmarks. A change is allowed only when both the justification for the change is valid and the prime sponsor has not met the benchmark. Some sponsors' benchmarks had been changed, although slightly. For example, four BOS prime sponsors were allowed to adjust their benchmarks after presenting adequate support to show that Commission data on unemployed Hispanics in their areas were inflated due to a heavy seasonal influx of mostly Hispanic migrant workers who registered with the Commission to find out which farmers were hiring.

EXHIBIT A

STATE OF MICHIGAN
PRIME SPONSORS

GAO Note: Michigan divides its balance of State areas into 10 regions, designated on the map as numbers 3, 4, 7A, 7B, 8A, 10, 11, 12, 13 and 14. We visited four of these regions—3, 7A, 7B, and 10. We also visited four local prime sponsors, designated on the map by the letters A, B, C and D.

EXHIBIT B

MICHIGAN PRIME SPONSORS GAO VISITED SHOWING FOR EACH THE NUMBER OF COUNTIES SERVED AND FISCAL YEAR 1981 CETA EXPENDITURES

	Prime sponsor	Number of counties served	Fiscal year 1981 CETA expenditures (note a)
1.	Lansing Tri-County Consortium--Lansing	3	$12,695,353
2.	Northwest Michigan Manpower Consortium--Traverse City b/	10	10,471,709
3.	Region II Employment and Training Consortium--Jackson	3	9,674,029
4.	Region 7B Employment and Training Consortium--Harrison b/	8	9,076,679
5.	Northeast Michigan Manpower Consortium--Onaway	8	6,855,115
6.	Thumb Area Consortium--Cass City b/	3	6,746,544
7.	County of Kalamazoo--Kalamazoo	1	4,398,258
8.	Branch-St. Joseph Employment and Training Consortium--Coldwater b/	2	3,628,959
	Total	38	$63,546,646

a/Includes expenditures for administration and the Special Governor's Grants programs.

b/BOS prime sponsor.

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